

NAVAL SUPPLY SYSTEMS COMMAND

CUSTOMER UPDATE

activating a global network of sources and solutions

A circular graphic featuring a wireframe globe. Inside the globe, a close-up photograph shows a person's hand typing on a computer keyboard. The globe's grid lines are white and set against a background that transitions from red at the top to blue at the bottom.

ONE-TOUCH SUPPLY

A thick yellow curved bar arching across the top of the image.

ONE

TOW

Naval Supply Systems Command *CUSTOMER UPDATE*

One-Touch Supply *1999*

TABLE OF CONTENTS

The NAVSUP Claimancy

Mission

Vision, Corporate Values

Strategic Goals

One-Touch Overview

Reengineering Navy Supply

Logistics Support

Reducing Logistics Response Time

Reducing Procurement Lead Times

Reducing Pollutants

Improving Customer Support & Access to Information

Reducing Supply Infrastructure Costs

Reducing Weapons Systems Operating & Support Costs

Quality of Life Services

Improving Facilities, Expanding Services

Improving Customer Service

Improving Uniform Quality

Reducing Costs

Information Technology

Financial Summary

Claimancy Awards

The **NAVSUP Claimancy**

Naval Supply Systems Command (NAVSUP)

Headquarters

Mechanicsburg, PA

Naval Inventory Control Point (NAVICP)

Philadelphia, PA

Mechanicsburg, PA

Fleet and Industrial Supply Centers (FISCs)

Norfolk, VA

San Diego, CA

Pearl Harbor, HI

Jacksonville, FL

Puget Sound, WA

Yokosuka, Japan

Fleet Material Support Office (FMSO)

Mechanicsburg, PA

Fitting Out and Supply Support Assistance Center (FOSSAC)

Norfolk, VA

Naval Transportation Support Center (NAVTRANS)

Norfolk, VA

Navy Exchange Service Command (NEXCOM)

Virginia Beach, VA

Navy Petroleum Office (NAVPETOFF)

Fort Belvoir, VA

Naval Ammunition Logistics Center (NALC)

Mechanicsburg, PA

(transferred to NAVSUP in FY 00)

Fleet Hospital Support Office (FHSO)

Williamsburg, VA

(transferred to BUMED in FY 00)

MISSION

To provide Navy, Marine Corps, Joint and Allied Forces quality supplies and services.

The Naval Supply Systems Command's mission of providing support to U.S. naval forces worldwide encompasses a broad and diverse set of responsibilities. In addition to performing direct operational support functions, NAVSUP is responsible for the policies, procedures and business systems that govern the Navy supply system.

NAVSUP provides logistics support (contracting, supply operations, transportation, fuel management, hazardous material management, nonnuclear ordnance management, information systems), and Quality of Life services (Navy exchanges, food, financial, and postal services).

NAVSUP reports directly to the Chief of Naval Operations and, for special functions, to the Secretary of the Navy, through appropriate assistant secretaries. NAVSUP has a workforce of approximately 9,900 civilian and military personnel and 13 field activities across the U.S. and overseas.



VISION

We will be the customer's choice for best value products and services, where a single request by the customer activates a global network of sources and solutions.

In short,

One-Touch Supply.

CORPORATE VALUES

Customer Focus: We are devoted to serving our customers and to exceeding their expectations

Employee Excellence: We are committed to our employees and to their development, participation and recognition

Quality Products and Services: The products and services we deliver are always the best

Innovative and Responsive: We constantly explore new ideas and methods in order to increase our effectiveness

Teaming for Success: We aggressively seek effective partnerships to improve our quality

Honor and Integrity: We act ethically; are open, honest and fair, keep our word, and take full responsibility for our actions

STRATEGIC GOALS



ONE TOUCH

... is an important enabler

IMPROVING CUSTOMER

The **One Touch Support web site** incorporates PKI and provides a faster, less costly means to identify, locate, order and monitor status of parts and supplies. Our objective is to provide our customers with a single "One Touch" point of entry for all supply related business processes.

One Touch enables customers to use the Internet to access the supply system to identify the location of stock, input requisitions, perform technical screening, and get requisition status. Using batch processing capability, users can request the status of any number of requisitions be sent to them via e-mail at a specific time or day. One Touch enables web based access for Global One Touch, Regional One Touch and the Customer Information Center.

To access One Touch go to

www.navsup.navy.mil/



SUPPORT

to NAVSUP's vision of One-Touch Supply

SUPPORT AND ACCESS TO INFORMATION

One password, clear text (noncode responses), standard look and feel, faster response time!

One Touch includes integration with ...

Readiness Support System (RSS)
Public Key Infrastructure (PKI)
Customer Information Center (CIC)
Regional web sites established at the
Fleet and Industrial Supply Centers
(FISCs)
Automated Nonstandard Requisitioning
System (ANSRS)

One Touch provides links to ...

Naval Logistics Library (NLL)
Household Goods (HHG)
Global Transportation Network (GTN)
Standard Procurement Systems (SPS)
DOD Email, GSA online and Servmart

During FY 99 One Touch achieved access to other new databases, such as FEDEX and UPS for in-transit information and DLA's Logistics On-Line Tracking System (LOTS) Program for requisition status. Also, a customer profile database was developed and implemented. This database will be used to complete required data for requisition input.

Future One Touch Support:

Future improvements include a proactive module, Navy/USMC Intranet Smartlink, serial number tracking and SMARTCARD.

onetouch

REENGINEERING

One Touch... key to reengineering the supply system

The SUP21 reengineering team reaffirmed NAVSUP's strategic vision of One-Touch Supply in FY 99 by developing strategies to implement the Voice of the Customer survey conducted in April 1998.

The survey results provided us with an opportunity to focus on improving services to the Fleet and incentives that will reduce logistics costs, improve customer satisfaction, and enhance weapon systems supportability. Using our customers' input, we began looking for new, innovative and more effective ways of accomplishing our mission.

At a series of offsites held during 1999, NAVSUP's senior leadership applied the customer survey results to develop a series of specific strategies to address customer needs identified in the survey. The strategy involves five business and organizational vision elements: New Inventory Model, FISC of the Future, New Contracting Model, Total Cost Model, and Afloat Supply Department of the Future (ASDOF). Vital to the success of our other vision elements is the key enabler, Information Technology Refreshment.

NAVY SUPPLY



SUP21 focused initially on a small number of high payback projects that include:

- *Establishing a single front-end “perfect order fulfillment” process for Navy customers;*
- *Investigating alternative private sector logistics support methods in lieu of Navy owning all inventories;*
- *Exploring expansion of NAVICP’s role in life cycle management to enhance weapon system support for Navy;*
- *Optimizing our inventory management practices for our residual organic inventories;*
- *Working with the Fleet to reengineer afloat workload by eliminating, simplifying or moving workload ashore; and*
- *Partnering with NAVAIR to explore the feasibility of replacing the legacy business systems that currently support Aviation Supply Chain Management and Material Management with a modern suite of Enterprise Resource Planning (ERP) software.*

Expanding upon the vision outlined in the New Inventory Model, performance based contracts currently account for 6 percent of our business and are expected to grow to 30 percent of the business by 2005. Innovative methods of supporting our customers’ needs are also being explored via Contractor Logistics Support (CLS) and Third Party Logistics Provider (3PL) contracts.

One Touch...integrates with CIC, incorporates PKI, and provides access into regional web sites at each FISC

Our new Customer Information Center (CIC) is responding to 10,000 calls per month. NAVSUP's Internet web site is continually changing to meet business needs. The Corporate One Touch web site has incorporated Public Key Infrastructure (PKI) for added security. Our Regional One Touch web sites experience 5,000 hits per day. We have been actively briefing our One Touch story to senior Navy and DOD personnel with great success. The demonstrations are winning rave reviews and kudos for the functionality we now provide over the Internet.

One Touch... integrates with RSS

We also partnered with NAVSEA to support their Anchor Desk concept providing links from One Touch to the Readiness Support System (RSS) which provides the capability to provide maintenance feedback information directly from customers to hardware systems commands.

To implement the Afloat Supply Department of the Future vision, NAVSUP and CINPACFLT are prototyping multiple food service initiatives aboard USS TARAWA. We are also working with CINLANFLT on multiple prototypes for the USS TRUMAN that involves moving disbursing off ships, using an electronic purse instead of cash for on-ship cash needs, replacing Sailors with civilian contractors and moving inventory and financial management ashore. NAVSUP is also exploring other opportunities to take advantage of modern technology, specifically SMARTCARD and Automated Identification Technology, to reduce workload and improve the quality of life for our Sailors.

As workload moves ashore, the "FISC of the Future" will assume an increasingly important role in direct support of afloat units. The Logistics Support Center (LSC) is constructed as a joint project between the FISCs and Type Commanders and will become a key supporting element for ASDOF.

In support of the New Contracting Model, NAVSUP reduced its contracting activities from 476 to 75. We achieved paperless acquisition for 67 percent of our business. During FY 99, over 38,000 DOD government-wide commercial purchase cardholders accounted for 2.3 million transactions valued at over \$1.4 billion. Use of the card reduces administrative costs associated with traditional purchase methods. Increasingly, automation of the procurement process and capture of customer requirements in accessible databases will allow us to make progress in advance planning for support of customer requirements before the customer even recognizes the existence of the requirement.

One Touch... front door into the supply system

In support of our enabling vision, an Aviation Supply Chain/Material Management ERP pilot is under way as a joint NAVSUP/NAVAIR effort to identify how Navy can best take advantage of commercial best business practices and improve supply and maintenance support we provide to Fleet customers.

The project includes three phases. Electronic Data Systems and Deloitte Consulting is under contract for Phases I and II. In Phase I contractor and Navy teams will conduct a business process reengineering study on the Navy's supply and maintenance processes, and develop an assessment of the Navy's potential use of an ERP software solution. At the end of Phase I they will provide a business case analysis and recommendation for the ERP suite to be used for the Phase II pilot. Phase II involves applying the results of Phase I to a pilot composed of the E-2 aircraft, components and airframes, and the maritime LM-2500 gas turbine engine, components and modules. Phase III considers the results and success of all Navy ERP pilots for potential application to a Navy-wide ERP solution.



LOGISTICS

NAVSUP's most important responsibility is the worldwide, integrated Navy supply system which gets the Fleet what it needs, where and when it needs it. We exercise centralized control over 400,000 different line items of repair parts, components and assemblies that keep ships, aircraft and weapons operating. NAVSUP provides a variety of logistics support services and products to Navy and other military customers.

NAVSUP is the designated Head of Contracting Activity for the Navy Field Contracting System which consists of 75 activities. With contracting authority and technical policy guidance from the command, these activities annually contract for over \$5B in equipment, supplies and services, making more than 235,000 individual purchases.

NAVSUP provides information systems with responsibility to design, develop and maintain information systems supporting numerous shore activities in the functional areas of logistics, transportation, finance and accounting, and inventory math modeling.

As manager of Fleet fuel requirements, NAVSUP operates 10 major fuel depots and acts as technical advisor to Navy shore activities and afloat units on petroleum matters.

NAVSUP is responsible for the transportation of Navy material by determining requirements, funding them, and monitoring the carriers' performance.

NAVSUP acts as the Navy's Program Manager for the Hazardous Material Program. We are actively involved in environmental issues that reduce hazardous waste and the procurement of hazardous material, both afloat and ashore.



SUPPORT

One Touch...

**stock location, requisitions,
technical screening and
requisition status**



Reducing Logistics Response Time

**One Touch...finds material to fill requisitions from...
SOM, RAM, ROMISVIS, Fleet assets, etc., to reduce
backorders, acquisition and repair requirements**

Logistics Response Time (LRT) measures the time it takes to satisfy a customer's requirement from the date of the requisition until the customer receives the material. Overall LRT performance is measured using the Logistics Metrics Analysis Reporting System (LMARS) which is maintained by the Defense Automated Addressing System Center (DAASC). In the past year Navy LRT has been reduced 13 days because of supply system process improvements and software innovations. The successful installation of the Distribution Standard System at Navy sites worldwide, and the inclusion of improved transportation and tailgate data in LMARS using the Global Transportation Network, were major factors in this significant Navy LRT reduction.



One Touch...
provides basic supply functions



Requisition Submission

**One Touch...performs technical screening and
stock check to find material, inputs
requisitions and checks requisition status
...including in-transit information**

Standard Automated Logistics Tool Set

**One Touch...provides RSS functions available shipboard via SALTS,
intransit visibility of DOD managed material and links to GTN and
CitiDirect**

The Standard Automated Logistics Tool Set (SALTS) provides afloat units an easy, reliable and timely method of submitting requisitions.

During FY 99, NAVSUP completed numerous software changes to SALTS in order to enhance and improve Fleet readiness. One of our major accomplishments is automation of the afloat purchase card certification process in support of the Navy Purchase Card Program Office. What once was a tedious paper drill is now a simple electronic certification through a file generated at Citibank.



DLA's DAMES and PC-LINK client software were integrated into the SALTS desktop client-server application to standardize the MILSTRIP requisition submission and query generation. Now, a SALTS user, transitioning from a ship to shore duty, will utilize the same product and will not require retraining.

The U. S. Transportation Command, working in conjunction with the JTAV Office and the SALTS project have brought Global Transportation Network (GTN) queries to the SALTS client. Now, customers worldwide can access 12 different GTN and JTAV queries to have a near real-time visibility of their in-transit assets, a major step in moving towards the joint goal of 100 percent In-Transit Visibility (ITV).

The Logistics Toolbox (LT) web site provides links to sites to get technical information, asset availability, submit requisitions and check status. The LT web site is located at <http://logtool.1touch.navy.mil>.

NAVSUP and NAVSEA implemented the Navy's Integrated Call Center, located in Norfolk, as the first phase of the Readiness Support System (RSS). SALTS cloned eight different forms currently in use on web sites supporting RSS to give Fleet and deployed customers the ability to electronically submit forms for appropriate action and problem resolution.



Nonstandard Items

One Touch...provides nonstandard parts processing capability, technical screening and access into regional Web sites at each FISC

The Automated Nonstandard Requisitioning System (ANSRS) streamlines the requisitioning of hazardous, part-numbered, or otherwise nonstandard items and standardizes technical screening processes.

ANSRS includes several validations to incorporate NAVSUP's business rules, hazardous material requirements, and allows electronic transmission of requirements. With ANSRS a customer can input an electronic requisition directly into the Standard Procurement System (SPS).

During FY 99 ANSRS was installed at all the Fleet and Industrial Supply Centers (FISCs) and certified for the Preferred Product List (PPL) Local Area Network installs for ship ported environments. The ANSRS SNAP II Interface and Web ANSRS Version Enterprise (WAVE) programming were completed.

Visit the ANSRS web site at www.ec.navsup.navy.mil/ansrs.

ANSRS eliminates the time consuming and less reliable methods of sending nonstandard requirements by naval message or facsimile. ANSRS is being incorporated into the NAVSUP OneTouch Support web site.





Transportation

**One Touch...
provides link to GTN and access into DLA databases**

During FY 99 NAVSUP partnered with the defense distribution centers, Navy regional offices, and receiving activities to improve Transportation Logistics Response Time (LRT) and the delivery of cargo to Navy/DOD customers. The establishment of two new dedicated truck routes and additional stops on existing routes in the Southwest, Mid Atlantic, and Northwest regions resulted in LRT reductions of 2 to 4 days.

NAVSUP coordinated single UIC consolidations for Navy customers generating large numbers of transshipments. This effort results in a single transshipment charge instead of numerous charges when requisitions are shipped individually. NAVSUP saved \$117K in DLA transshipment billings as a result of depot level consolidations during FY 99. Overall savings exceeded \$1.4M in FY 99.

Reducing Procurement Lead Times

Paperless Acquisition

Paperless acquisition is a Navy-wide program and encompasses all facets of acquisition from requirements' definition through order fulfillment and contract closeout. Paperless acquisition is expected to reduce workload, enhance customer satisfaction and reduce procurement lead times. During FY 99 NAVSUP reached 58 percent paperless acquisition. Navy's goal for FY 00 is 90 percent.

Standard Procurement System

One Touch...provides link to SPS via ANSRS

The Standard Procurement System (SPS) is the standard automated procurement system for use throughout the DOD procurement community. SPS links DOD's procurement processes with commercial best practices and advances electronic commerce. It will expedite the procurement process and standardize business practices.

During FY 99 NAVSUP implemented SPS at all the Fleet and Industrial Supply Centers (FISCs) and officially retired the Automated Procurement and Data Entry (APADE) Program.

Navy Electronic Commerce Online

NECO works with the automated procurement systems sponsored by NAVSUP. Using NECO, solicitations and amendments are posted to a procurement site on the Internet where they can be browsed by qualified vendors. NECO enables vendors to respond to solicitations on-line, forwarding their offers to Navy buyers electronically. When buyers make their selections, they use NECO to send purchase orders and delivery orders to the successful vendor.

During FY 99 NAVSUP implemented Navy Electronic Commerce On-Line (NECO) at the Fleet and Industrial Supply Center (FISC) Norfolk and FISC Jacksonville.

NECO reduces the time required to solicit requirements and make awards.



Consortium Buying

The Consortium Buying concept allows organizations to work together to combine requirements, resulting in buying power that is greater than what could be achieved by an individual organization. In support of ASN(RD&A) regional consortium buying initiative, NAVSUP is a key player in implementing consortium contracting. For NAVSUP customers this means capitalizing on common processes, expanding the use of common contract vehicles and utilizing existing contract support tools. Consortia are another tool acquisition planning teams can use to provide quality customer support including shortened acquisition cycle time.

Reducing Pollutants

**One Touch...provides
nonstandard parts processing capability
and integrates with regional web sites at each FISC**

Regional Hazardous Material Management Center

The Regional Hazardous Material Management Center (RHMMC) serves as a repository for brokering excess material and ensures the proper movement of hazardous material between sites. The RHMMC also serves as the ship-to-shore interface for home ported and visiting ships.

Through regionalization initiatives hazardous material and the amount of disposable waste entering the waste stream was decreased. FY 99 disposal cost avoidance was \$8M.

Maintaining a regional inventory greatly improves asset visibility, reduces stovepipe operations, and continues to improve customer service. The Fleet and Industrial Supply Centers have been designated as the Regional Hazardous Material Management Center (RHMMC) for hazardous material operations within their regions.





Regional Hazardous Material Management System

The Regional Hazardous Material Management System (RHMMS) minimizes the amount of hazardous material sent for disposal, reduces hazardous material inventory levels and reduces the cost of hazardous material procurement and disposal.

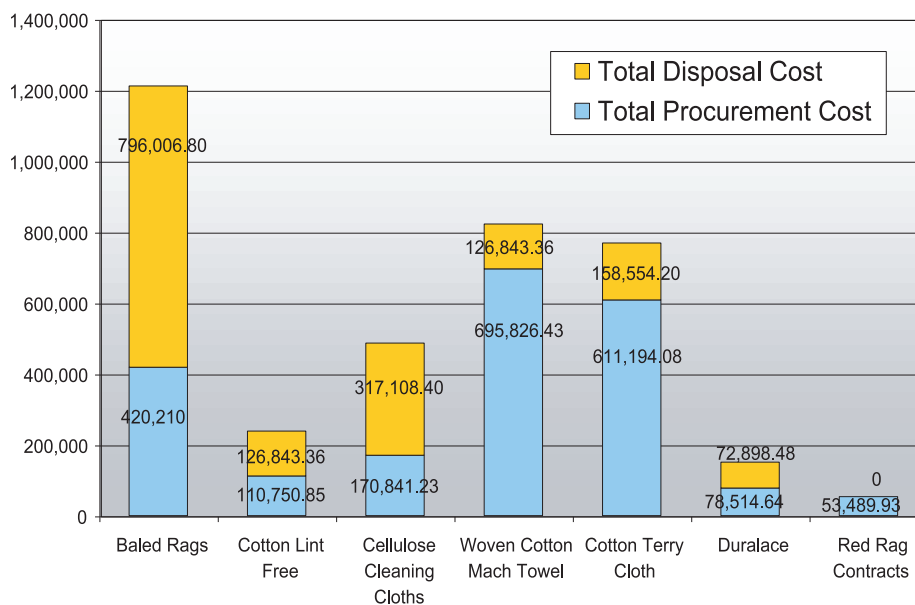
With the implementation of RHMMS, we've moved from individual activity HAZMAT management to regional management. During FY 99 a new RHMMS version was implemented at FISCs Pearl Harbor and Jacksonville. This version provided a modified financial module for accommodating a regional revolving fund.

FY 00 RHMMS implementation projections include San Diego, Puget Sound, Yokosuka, Norfolk, Naval District Washington and Portsmouth Naval Shipyard. Additional information pertaining to the RHMMS Program can be obtained via the Internet at (<http://192.211.86.110>).

Navy Shop Towel Contracts

Baled rags are used throughout Navy ashore and afloat communities for cleaning, maintenance and repair operations involving oils, grease and hydraulic fluids. Navy spends over \$6M per year to purchase baled rags which are often disposed of as hazardous solid waste at a high cost. Recent studies showed significant savings occurred when baled rags were eliminated from the supply system and other cloths, towels or wipes already available in the supply system were purchased.

All Navy ships and ashore activities may own or rent laundered contractor-owned shop towels. The contracts span 31 states and the District of Columbia. The average cost of shop towels under contract is approximately \$0.04 allowing activities to save up to \$1.61 over purchase and disposal of baled rags. During FY 99 Navy activities saved roughly \$4.8M by using these contracts.



Shows the relative cost of procurement and disposal of the various rag options. Baled rags have a much higher relative disposal cost because none can be disposed of at sea due to plastic content. Lower equivalency rates result in much greater disposal costs because of the high number of rags being used. The lowest cost options for replacement of baled rags are Duralace and the regional Red Rag contracts.

Improving Customer Support and Access to Information



One Touch...provides integration with the Customer Information Center (CIC), Public Key Infrastructure (PKI), Readiness Support System (RSS), Regional web sites at the FISCs, Automated Nonstandard Requisitioning System (ANSRS) and basic supply functions

Virtual Call Center

One Touch...provides telephone assistance 24 hours a day, 7 days a week ... customers may use Integrated Voice Recognition (IVR) System or Customer Service Representatives to obtain assistance

NAVSUP was successful in implementing the first phase of creating a virtual call center, the Customer Information Center (CIC), in February 1999. Callers seeking information, products or services from the Navy Logistics System can call a toll free number (1-877-41touch) for "One Stop Resolution" assistance. CIC is already receiving 10,000 customer calls per month. Additionally, our successful partnership with NAVSEA's Anchor Desk established a template for the new unified approach to providing waterfront customer support.

One Touch...provides links to the Naval Logistics Library (NLL), Household Goods (HHG), GSA, SERVIMART, DOD EMALL, Global Transportation Network (GTN) and the Standard Procurement System (SPS)

On-Line Access to Navy Documents

One Touch...provides access and on-line ordering for publications, instructions and directives...also provides a Virtual Bid Room for use by contractors to read procurement requests and provide their bid responses

The Naval Logistics Library (NLL) is a web site that delivers information, material, services and products to Navy customers. The NLL contains a variety of subsystems that manage and disseminate naval logistics information to both Government and commercial users.

The web site provides a variety of digital documents, ordering interfaces, and tutorials to Navy customers. New modules during FY 99 include the Contract Management Library, Contract Support Library, Virtual Bidroom, and related search engines such as the P700, P2002 Public Research Tool, NAVICP ENG Order Module, and SHML On-line. The site also offers on-line information related to Navy purchase cards, photo libraries, recipes, and other document collections that are centrally located for customer access. Collectively, these on-line systems represent a new, innovative, and effective way of conducting business while dramatically reducing costs associated with traditional supply management.

Reducing Supply Infrastructure Costs

One Touch...finds material to fill requisitions from...SOM, RAM, ROMISVIS, Fleet assets, etc., to reduce backorders, acquisition and repair requirements

Reducing Material Acquisition and Repair Requirements

Total Asset Visibility

One Touch...provides visibility and accessibility of assets

NAVSUP is reducing inventories and their support costs, logistics response time, and offsetting procurement/repair requirements by redistributing assets.

To date our efforts to achieve Total Asset Visibility have resulted in 90 percent visibility of Navy inventories of \$32B. We continue to pursue the "One Touch" support web site for visibility and accessibility of our assets.



Afloat Asset Visibility

**One Touch...provides access into FIMARS,
SAMMS and NAVICP**

During FY 99, NAVSUP completed Y2K compliant Legacy Afloat Asset Visibility (AAV) software baseline and implemented three Marine Aviation Wings (MAWs) and four Type Commanders (TYCOMs) for use. We also satisfied Fleet priority for afloat range and depth data, and now TYCOMs are able to generate this data from their local Fleet Inventory Management and Analysis Reporting System (FIMARS) AAV database.

Through biweekly afloat asset reporting, we maintained central Afloat Total Asset Visibility (ATAV) for NAVICP expediting at the www.atav.navy.mil web site. More than 48,000 user queries were recorded at the ATAV web site with an average success rate of 85 percent in finding a site reflecting a stock record on hand balance for the part sought.

During FY 99, NAVSUP completed AAV database site validation and established Fleet baseline Navy Stock Account (NSA) and Appropriated Purchase Account (APA) inventory using AAV statistical reports from the central ATAV database.

NAVSUP completed 90 percent rehosting of Legacy AAV to a Relational Database environment. Relational AAV is scheduled for installation at the NAVICP during FY 00 including visibility of current inventory data as well as new visibility of afloat requisition and transaction data.





Sponsor Owned Material

One Touch...
identifies the location of stock

Sponsor Owned Material (SOM) is programmatic material required supporting Program Managers' (PMs) mission requirements for production, life cycle maintenance, and installation of systems and equipment. It is not supply systems material; it is owned and controlled by Program Executive Offices (PEOs) and Hardware Systems Commands (HSCs). SOM is procured for research, development and assembly, and may also include systems and equipment removed from decommissioned ships, contract closeouts, and disestablished facilities. Total Asset Visibility of SOM provides benefits by making some assets available for lateral redistribution and procurement offset.

During FY 99, NAVSUP conducted site surveys at NAVSEA field activities and implemented SOM visibility using the Joint Computer Aided Acquisition Logistics Support (JCALS) systems at seven or eight activities. Additionally, one NAVAIR and one SPAWAR field activity were surveyed, with the SPAWAR activity implemented for visibility only.

FY 00 plans include site surveys and implementations of SOM visibility and accessibility at the remaining SPAWAR and NAVAIR field activities upon development of business rules for access to the material.

Residual Asset Management

One Touch...provides access into RAM and DRMO

The Residual Asset Management (RAM) Program provides visibility of excess Type Commander and hardware system command owned material. During FY 99, desktop visibility of RAM assets was provided to NAVICP item managers for use during procurement and backorder review processes. The RAM Program provided visibility of approximately 111,000 line items valued at over \$495M. RAM filled requisitions valued at \$66.5M. Total Issue Cost Avoidance was \$66.6M. RAM identified \$101.5M worth of material for disposal at DRMO. Procurement offsets resulted in \$16.9M worth of turn-ins, and estimated credits totaled \$9.3M.

A Commercial-Off-the-Shelf (COTS) product has been selected to replace the existing RAM hardware and software. Contracts have been awarded for procurement of the software and integrator services for the development of Reengineered RAM (RRAM). The development and implementation is estimated to be completed by the end of FY 00.



Other Total Asset Visibility (TAV) Initiatives

One Touch...provides access into VMSIR and SAMMS

NAVSEA and NAVSUP have jointly developed a capability for SUPSHIP held material to be visible in the Virtual Master Stock Item Record (VMSIR) through a program called Realtime Outfitting Management Information System Visibility (ROMISVIS). ROMISVIS will increase the scope of accessibility to spares and reduce inventory resulting in a savings to DOD.

Commercial Assets

The Commercial Asset Visibility (CAV) Program tracks reparable assets flowing through the repair cycle at commercial vendors. CAV tracks \$3B worth of material daily with an inventory accuracy rate at over 99.5 percent.

Since its inception, CAV has been deployed to 258 contractor repair sites and is currently installed at 217 Navy and Army vendor facilities. Currently, the CAV software is transitioning to a Web-based Windows operating environment.

Two versions are scheduled for release in FY 00. One version incorporates user requested capabilities such as requisitioning capability. The other version will incorporate Electronic Commerce/Electronic Data Interchange (EC/EDI) capability. The repair data can be forwarded to the Defense Finance and Accounting Service (DFAS) to expedite payment to the vendor. This change in procedure will avoid millions of dollars in interest payments through prompt payments to the repair vendor.



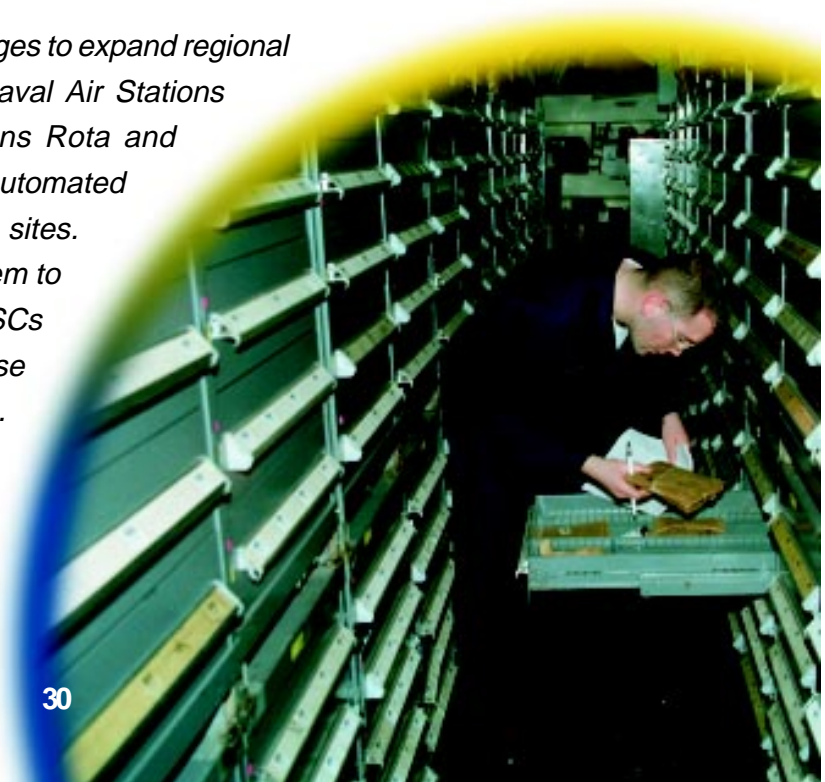
Reducing Inventory Investment and Carrying Costs

**One Touch...assists in the
management of inventory and
carrying cost reductions**

Regional Inventory Management

**One Touch...provides access into regional web sites established at
each FISC**

In FY 99 NAVSUP completed programming changes to expand regional inventory management to the inventories of Naval Air Stations Sigonella, Naples, and Keflavik, Naval Stations Rota and Roosevelt Roads, and the remaining Uniform Automated Data Processing System (UADPS) Level II (L2) sites. Converting the sites from the UADPS (L2) System to the UADPS (U2) System enables NAVSUP's FISCs to manage their inventories using a single database and a shared set of inventory procedures. NAVSUP's goal is to achieve a single system supporting all Navy shore activities receiving regional support.





Third Party Providers

One Touch...provides material distribution, procurement, requisition processing and inventory management

NAVSUP's Third Party Logistics (3PL) vision is to reduce Navy and DOD investment in commercial items, drive down prices, and provide value-added services, such as tailored delivery. 3PL transfers many functions to commercial vendors including material distribution, procurement, requisition processing, and inventory management.

As a result of the 3PL initiative, several contracts were awarded in FY 99 including FISC Norfolk's Maritime Paint and SERVMART contracts and FISC Jacksonville's HAZMAT contract. The program has resulted in an overall reduction of inventory of \$75M while expecting sales of \$105M in FY 00.

Defense Logistics Agency Partnerships

One Touch...provides access into DLA databases

During FY 99, NAVSUP transferred ownership of physical distribution functions at FISC Yokosuka and FISC Pearl Harbor to the Defense Logistics Agency (DLA).

Several initiatives are underway to improve consumable and repairable support while reducing Navy investment. DLA will provide wholesale consumable support to NAS Lemoore primarily from the Primary Distribution Site (PDS) in San Joaquin. A dedicated truck has been established from the PDS to NAS Lemoore reducing DLA's response time. Navy and DLA are also working to transfer ownership of consumable material from Navy to DLA at FISC Yokosuka and FISC Pearl Harbor.

A third initiative underway is to position repairables at the PDSs instead of the defense distribution depots located with the FISCs. This effort will reduce the transportation time required to satisfy repairable requirements and result in a reduced level of inventory.



Performance Based Logistics

During FY 99 NAVSUP awarded a 6 year, \$58.5M, performance based contract for support of the ALR-67(V)3 Countermeasures Receiving Set, to Raytheon Systems Sensor and Electronics Division, Goleta, California. The shared risks, shared costs, long-term reliability improvement and life cycle cost reduction for the Fleet customer represent a new and better way of conducting business for Navy. This incentive based performance contract focuses on guaranteed availability, timely delivery, technology insertion, reliability growth and wholesale inventory management which will reduce the total ownership cost of the system.

Logistics Engineering Change Proposals



Affordability is the watchword for Navy. NAVSUP-generated Logistics Engineering Change Proposals (LECPs) solution technique is being actively pursued. The goal of LECPs is to make operations of the Fleet more affordable while improving reliability and maintainability. Items and systems with poorest reliability or most difficult to maintain are being identified with Fleet assistance. Contractors are visited and analyses done to determine the benefit of the investment of Navy Working Capital Fund (NWCF) in retrofitting the Fleet with a newer, more reliable product. Reducing costs at all levels of operations is being looked at to field the most reliable and cost effective components. Examples of LECPs during FY 99 include: Navigation Guidance System for the T-45 and F-14D, H-53 Running Engine Wash, and S-3 Windshield Temperature Controller.

Alternative Logistics Support Office

The Alternative Logistics Support Office (ALSO) provides program managers with a group of logistics professionals to focus on targeted logistics elements and program considerations. The ALSO is working to create inventive support alternatives for new platforms, weapon systems and legacy systems by integrating Government and industry efforts.

During FY 99 ALSO teamed with the Advance Amphibious Assault Vehicle and New Aircraft Carrier Program Offices to develop contractor logistics support that integrates the best practices of commercial and Government organizations for optimized support of the weapons systems to the warfighter.



Reducing Procurement Costs

**One Touch...
reduces procurement costs**

Purchase Card

One Touch...provides link to CitiDirect and training information

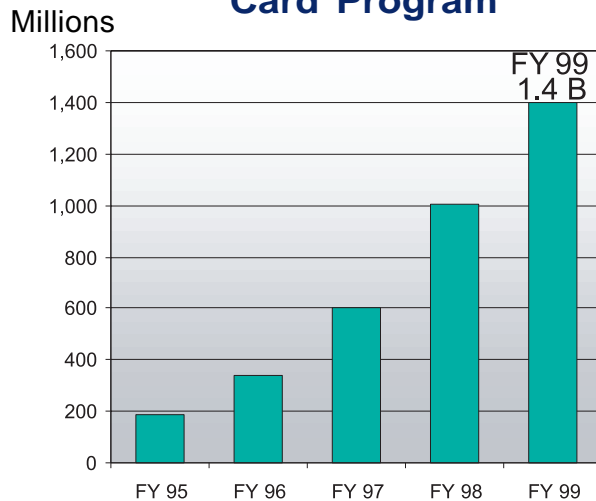
DOD mandates use of the Government-wide Purchase Card as both the purchase and payment vehicle for all goods and services valued at or below \$2,500. This reduces administrative costs and costs associated with the processing of commercial invoice payments. As program manager for the DON Purchase Card Program, NAVSUP provides policy, training and assistance to over 38,000 DON purchase card personnel.

During FY 99 the purchase card was used as a method of payment for training requirements obtained via the DD Form 1556, and for goods and services obtained using standard contracting instruments.

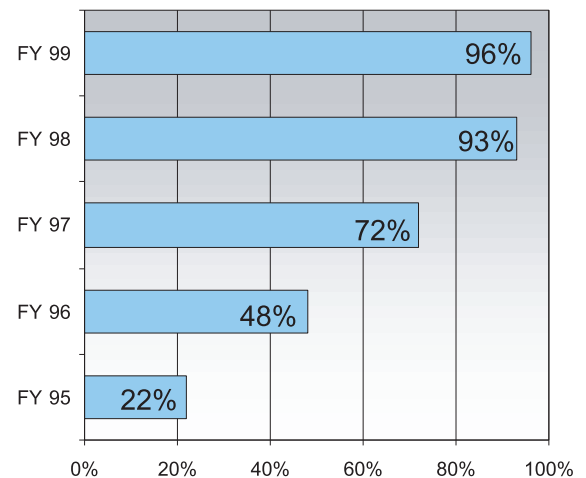
The NAVSUP Home Page contains a chat room where purchase card personnel can share best practices and obtain answers to purchase card inquiries, and an interactive tutorial which allows purchase card users to complete mandatory training requirements from their desktop. Our Home Page also contains the new DON Purchase Card Instruction (NAVSUPINST 4200.94) and copies of all DON purchase card policy letters and related correspondence.

During FY 99 DON purchase card users spent over \$1.4B and made 96 percent of all qualifying purchases with the purchase card.

DON Purchase Card Program



Percentage of All Micropurchases



Purchase Card Automation

One Touch...provides link to CitiDirect

In July 1998 Navy selected Citibank as the successor to First Bank as our provider of credit card services. NAVSUP is leading the effort to develop, test and deploy a web based automated purchase card software application. The Purchase Card Automated System (PCAS) will provide universal "end to end" electronic tracking, posting and payment of all purchases using the purchase card. PCAS will eliminate the need for paper forms for requesting, approving, purchasing, receiving, invoicing, certifying, posting and paying. Additionally, PCAS will provide system reporting and on-line card-holder administration that was not available with previous purchase card programs. Card-holders and other purchase card officials will have on-line access to purchase card account information 24 hours a day, 7 days a week.

PCAS will reduce the administrative time associated with purchase card operations and management. It will ultimately result in more user-friendly purchase card procedures which should translate into a reduction in the amount of purchase card delinquencies and associated interest penalties experienced under the current manual purchase card process.



Contracting Activities Consolidation

NAVSUP continued to streamline and eliminate redundancies in the acquisition infrastructure. We are reducing the number of contracting field activities by consolidating activities under the regionally positioned Fleet and Industrial Supply Centers and Navy Regional Contracting Centers.

During FY 99 we reduced the number of small purchase, Simplified Acquisition Procedures, activities from 106 to 62, and large contracting activities from 13 to 12. Since FY 97, NAVSUP has reduced the contracting footprint by approximately 85 percent. We will continue to consolidate activities in FY 00 in addition to actively pursuing Navy's consortium buying initiative.



NAVSUP as Head of Contracting Activity

	<u>Contracts</u>
APR 1997	476
OCT 1998	119
OCT 1999	74
OCT 2000	47



Workload and Staffing

NAVSUP conducts yearly reviews of workload and staffing to ensure each contracting activity is sized correctly to support the needs of customers. This effort resulted in the customer satisfaction ratings shown in the chart. World-class contracting personnel from NAVSUP are adopting a strategic perspective in dealing with the customer-supplier linkage. We are leveraging our contracting and business skills as well as our knowledge of our customers' business, suppliers' capabilities and the marketplace to provide value in meeting organizational and customer objectives.

FY 99 Customer Satisfaction (4th Qtr) Percent Ratings of Highly Satisfactory or Superior

	<u>Contracts</u>	<u>Simplified Acquisition</u>
Overall Service	99%	92%
Timely Processing	95%	88%
Quality of Product	99%	94%
Availability of Personnel	99%	91%
Treated Courteously	100%	93%



Reducing Ashore Support Costs



Regional Support

One Touch...integrates with regional web sites at each FISC

Through regional partnerships NAVSUP's FISCs provide various services at lower costs by consolidating redundant supply operations, inventories, and data processing systems and services. Services include material management, procurement, technical support, hazardous material management, transportation, fuel, household goods, and supply support consultation.

During FY 99 the FISCs entered into 14 new partnerships producing \$5.5M in new recurring and nonrecurring savings. Combined with \$61.1M in recurring annual savings from prior years' efforts, regional partnerships helped reduce Navy operating costs by \$66.6M in FY 99. Cumulative savings since FY 96 total \$237.5M.





Competitive Sourcing

NAVSUP conducts cost comparison studies of commercial activities being performed by Government personnel to determine whether it would be more cost-effective to maintain them in-house or contract with the private sector for their performance. Historically, such competitions yield approximately 30 percent savings in operating costs.

Approximately 50 percent of the NAVSUP claimancy civilian positions (4,184) are subject to competition. All of these positions have been grouped into business units as A-76 studies and organized within the master plan. NAVSUP announced 1,911 positions to Congress for competition grouped under 43 individual A-76 studies. Ten studies have been completed with four awards to industry and six cost comparisons retained in-house.

Twenty-four A-76 studies were announced for FY 99 which included 1,092 positions. These studies include the FISC ocean terminals, information technology desktop support, and administrative functions at NAVSUP HQ, NAVICP, FISCs, FOSSAC, NAVTRANS and NCTRF.

The Retail Supply function is the next functional area to be placed under competition. NAVSUP has been designated by CNO to coordinate the function on a Navy-wide basis. NAVSUP is currently in the process of coordinating regional optimization planning workshops with the FISCs as the focus for supply chain management within each region. The Retail Supply function will be announced to Congress in FY 00.

The final phase of competition within the NAVSUP claimancy will include announcement of information technology application support functions at FMSO, NAVICP and the FISCs in FY 01.

Reducing Systems Costs

Material Financial Control System (Retail)

NAVSUP implemented the Material Financial Control System (MFCS) on 33 ships in FY 98 and the remaining 48 ships in FY 99. A total of 81 activities are now operating on MFCS. NAVSUP is currently completing the Aviation Depot Level Repairable (AVDLR) conversions to the Navy Working Capital Fund (NWCF). When fully implemented Fleet-wide, MFCS will perform stores accounting for all whole-sale and retail inventory held afloat. Responsibility for stores accounting afloat is transferred from the ships to the Naval Inventory Control Point. Sailors are relieved of complicated inventory and financial processing and of the requirement to submit Financial Inventory Reports to the Inventory Control Point through daily transaction item reporting.

MFCS replaces several older accounting systems resulting in lower systems operating and maintenance costs. The SAC-207 System was retired this year as remaining NWCF activities are transitioned to MFCS.



Ashore, NAVSUP, in cooperation with the Defense Finance and Accounting System (DFAS) and the Fleet Commander in Chiefs (CINCs), determined the modifications necessary to allow MFCS implementation at the stock points and have directed program changes. MFCS was originally designed to provide stores accounting for only the wholesale material managed by NAVSUP, with these modifications it will allow MFCS to account for the retail material as well. This will create a significant reduction in infrastructure because it will allow, for the first time, one automated system to provide stores accounting for both whole-sale and retail material both afloat and ashore.

(Modernization and Consolidation)

Relational Supply

During FY 99 NAVSUP functionally certified Relational Supply (R-Supply) Force Level for prototype at a Marine Aviation Logistics Squadron (MALS) and successfully completed an Operational Test and Evaluation. R-Supply was also certified for implementation aboard an aircraft carrier (USS GEORGE WASHINGTON). R-Supply Unit Level continued in FY 99 with 8 additional implementations and plans for 80 more in FY 00. Through a phased implementation process, R-Supply will replace legacy Supply Financial Management (SFM) and Shipboard Uniform Automated Data Processing System (SUADPS) systems over the next several years. A relational database, R-Supply provides the foundation for standardizing business processes across afloat platforms.

R-Supply offers more economical software maintenance, more rapid implementation of upgrades and changes, and the potential for reduced personnel training and supporting ashore infrastructure costs. Successful prototypes have paved the way to begin Fleet implementation following the Navy Tactical Command Support System implementation schedule.



Reducing Weapon Systems Operating

Reducing Customer Level Inventory Requirements

**One Touch...identifies the location of material
and fills requisitions to reduce backorders,
acquisition and repair requirements**

Readiness Based Sparing

NAVSUP is expanding Readiness Based Sparing (RBS) concepts and techniques. The new Multi-Echelon and Multi-Indenture (ME/MI-RBS) capability considers both wholesale and retail inventory in determining the optimum inventory mix to ensure weapon system readiness goals at minimum cost.

In FY 99 ME-RBS techniques and tools were increasingly used in deciding strategic stocking policy and positioning issues such as the Yokosuka theater support and PACFLT war reserve requirements, and identifying opportunities to apply premium transportation to reduce inventory.

After nearly 2 years of development effort, the new, Windows-based RBS workstation will be deployed in FY 00. The improved speed, enhanced graphics, and full aviation ME/MI-RBS functionality will greatly aid ongoing efforts to prototype ME/MI-RBS on the F/A-18 E/F. It also plays a key role in major initiatives such as Segmented Variable Operating and Safety Level (VOSL) which apply MI techniques to improve support for fast moving repairables and link the Aviation Intermediate Maintenance Activity (AIMA) efforts to overall aviation readiness.

and Support Costs

One Touch...provides basic supply and logistics request functions

Reducing Material Costs

“Should-Cost” Analyses

“During FY 99 NAVSUP performed “should-cost” analyses on 1,915 items ranging from routine repair parts to complex repairables and other weapons systems components. Results of these analyses have provided Navy actual savings of \$209.8M. The Price Challenge Hotline Program responded to 2,219 calls resulting in a total cost avoidance of \$9.75M. The hotline awarded 209 cash awards totaling \$32.1K to personnel for challenging prices.”



Reducing Maintenance and Repair Costs

Automatic Identification Technology

One Touch...future improvements include serial number tracking

The Navy's Project Office for Automatic Identification Technology (AIT) resides at NAVSUP. AIT is a suite of technologies that enables the accurate and rapid transmission of source data to Automated Information Systems (AIS), thereby enhancing the ability of DOD to identify, track, document and control deploying forces, equipment, personnel and cargo. Joint logistics requires standardized AIT to reap potential savings.

Through the disciplined introduction and implementation of AIT at strategic points within the supply system, NAVSUP promotes the standardization of AIT. Such standardization ensures AIT equipment is compatible, interoperable or interchangeable within Navy and among the Services. Standardization reduces out-year operating and maintenance costs. AIT enables Navy to operate with past and planned infrastructure reductions. Additionally, the efficiencies from AIT reduce administrative costs and dramatically raise inventory accuracy rates.



NAVSUP invested heavily in AIT to improve both inventory and material management within the Fleet during FY 99. State-of-the-art two-dimensional (2D) bar code scanners were purchased for all aircraft carriers, large deck amphibious platforms, Marine Aviation Logistics Squadrons (MALs), tenders, Fleet schoolhouses, and the Navy Supply Corps School. In addition, all ordnance facilities afloat and ashore purchased new AIT equipment.

During FY 99, Contact Memory Buttons (CMB) were introduced in the configuration management of Aegis cruiser communications suites and for inspection certification of submarine shafts and props. NAVSUP and NAVAIR teamed to use CMBs for the serial number tracking of expensive aviation components. NAVSUP also participated in two Fleet exercises (EUCOM and FOAL EAGLE 99) and used these operations to evaluate the value of Optical Memory Card Reader/Writers in afloat supply operations.

NAVSUP endorsed the Micro-Electro-Mechanical Systems (MEMS) as a means of predicting the remaining useful life of propellants, explosives and pyrotechnics. Additionally, NAVSUP plans to implement radio frequency technology afloat to improve inventory management afloat and support additional manpower reductions.

Finally, we reenergized the Navy AIT Steering Group. This group, drawn from all Navy communities, encourages the use of AIT throughout the Fleet.



Logistics Research and Development Program

The Logistics Research and Development (R&D) Program offers Navy an opportunity to partner with innovative members of industry and Government to obviate the effects of obsolescence on Navy inventories. Current initiatives allow Navy to capture designs of aging electronic modules and rehost them onto programmable upgrades. In this way, the Compatible Processor Upgrade Program (CPUP) and Rapid Retargeting (RRT) Program help improve weapon system availability and save costly software redesign dollars.

The RRT process was proven in past efforts with the SPS-67 Radar and MK23 Target Acquisition System (TAS) analyses from VISICOM Laboratories pinpointed the possible candidates for future retargeting on the ALQ-126B Deception Jammer, the MK23 TAS, and the BSY-1 Advanced Submarine Combat Control System.

Through its developing design repository, the Virtual Systems Implementation Program (VSIP) facilitates the reuse of acquired models from the RRT and CPUP processes. Given the commonality of electronic components, costly redesign efforts can be avoided if such models already exist in VSIP's design repository. VSIP will also offer engineers and logisticians a cadre of tools allowing them to better manage obsolescence problems. One such tool is the Obsolescence Prediction Tool (OPT). Delivered in FY 99, the Small Business Innovative Research (SBIR) Phase II prototype OPT enables users to assess a system's overall obsolescence health and to flag likely problem areas.



QUALI

Under the Support Services umbrella, NAVSUP manages a number of programs that have direct impact on the Quality of Life of our Sailors and their families.

NAVSUP manages the Navy exchanges, Navy lodges, and ships stores afloat. Sales exceed \$1.7B annually and generate over \$60M in profits that support the Morale, Welfare and Recreation Programs ashore. We also oversee the Navy's clothing program providing both uniforms and specialized protective clothing to the Navy.

We administer the Navy Food Service Program which serves over 118 million meals per year at 382 afloat and ashore galleys. The command sets management requirements, provides guidance on nutrition, equipment and facility design, sponsors food research programs, and supervises seven Food Management Teams that provide worldwide training and assistance.

We manage the Navy Postal System and are responsible for moving the mail from the Fleet mail centers to the 265 Navy ashore and afloat post offices. During FY 99 Navy post offices processed over 88 million pounds of personal and 48 million pieces of official mail.

NAVSUP manages the Navy Personal Property Program. We provide the policies and procedures governing the shipping and storage of household goods and personal property offices worldwide. In a typical year over 200,000 moves are made through the program.

We also manage the ATMs-at-Sea Program. We are responsible for the integration of shipboard and commercial systems which provide our Sailors with round the clock access to their personal funds.

Our FY 99 efforts to improve the "Quality of Life" services to Sailors and their families are featured in the following pages.

TY OF LIFE SERVICES

Improving Facilities, Expanding Services

New Facilities

During FY 99 NAVSUP teamed with private partners to open 28 additional Subway sandwich shops, two additional Tricon operations (Pizza Hut, Taco Bell, and Kentucky Fried Chicken), and at NAS Sigonella and NSA Capodichino two new Burger King restaurants were opened. Popeye's Chicken, Dunkin' Donuts and Taco Bell were opened in Japan. At NAVSTA Mayport, a new CITGO gas station now houses the first mini-mart that offers Bojangles chicken with either walk-in or drive through service. At NAS Mid-South, a Gloria Jean's gourmet coffee shop was opened, and Starbucks gourmet coffee is available at the CITGO/mini-mart.



New Exchanges/Lodges

During FY 99 exchange facilities were opened in Orlando and New Orleans, and renovations occurred at Norfolk and Memphis. A Navy lodge was opened at Annapolis, Maryland, and a replacement lodge was constructed at Brunswick, Maine. Renovations and modernizations were completed at seven locations; new construction began on lodges in New Orleans, Pensacola, Monterey, and Lemoore.

New Services

During FY 99 a contract was awarded to Mail Boxes, Etc. to provide various office services at 17 Navy Exchange locations. Services include the use of computers for web-surfing, mail boxes, fax-mail, printing and desktop publishing. Additionally, the Navy Exchange photo finishing services introduced a mini-lab digital service that offers disks, CDs, and photos on-line to provide Navy families the ability to communicate through computers. Additionally, an optometry/optical shop was opened in NAS Sigonella and audiology and dental services are planned for FY 00.

Staying in Touch at Sea

During FY 99 NAVSUP expanded the Afloat Personal Telecommunications Service (APTS). The service is now available to ships in traditional and nontraditional battle groups and is installed on two ships belonging to the U. S. Coast Guard. Last year Sailors talked for over 12.5 million minutes to family and friends back home.



Ships Store Services

During FY 99 NAVSUP opened 9 new ships stores and modernized 15 ships' service areas. We completed prototyping and entered the certification phase of our new Resale Operations Management (ROM) II software. ROM II provides cash register scanning capabilities in ships stores which streamlines the customer check out process and automates the record keeping processes. ROM II implementation will occur in FY 00.

Improving Customer Service

Wait Time at Navy Dining Facilities

One Touch...future improvements include SMARTCARD link

The SMARTCARD eliminates the requirement for manual sign-in sheets by electronically recording the number of dining patrons. The card also verifies entitlements, streamlines the accounting process, reduces administrative workload, and minimizes fraudulent mess patronage. Currently, there are four ashore sites using

the SMARTCARD, Great Lakes Naval Training Center, Hawaii Food Service Region, Pensacola Naval Air Station, and Fleet Combat Training Center, Atlantic.

Future SMARTCARD applications include expanding the card to afloat private and general messes, and using the card in the galleys' receipt process to record deliveries from the Subsistence Prime Vendor.

To capitalize on the SMARTCARDS's capabilities, the Dam Neck galley installed a drive-through window. Sailors can now call ahead with their lunch order, then swipe their card and pick-up their meal at the drive-through window without leaving their car.



Ney Awards Program

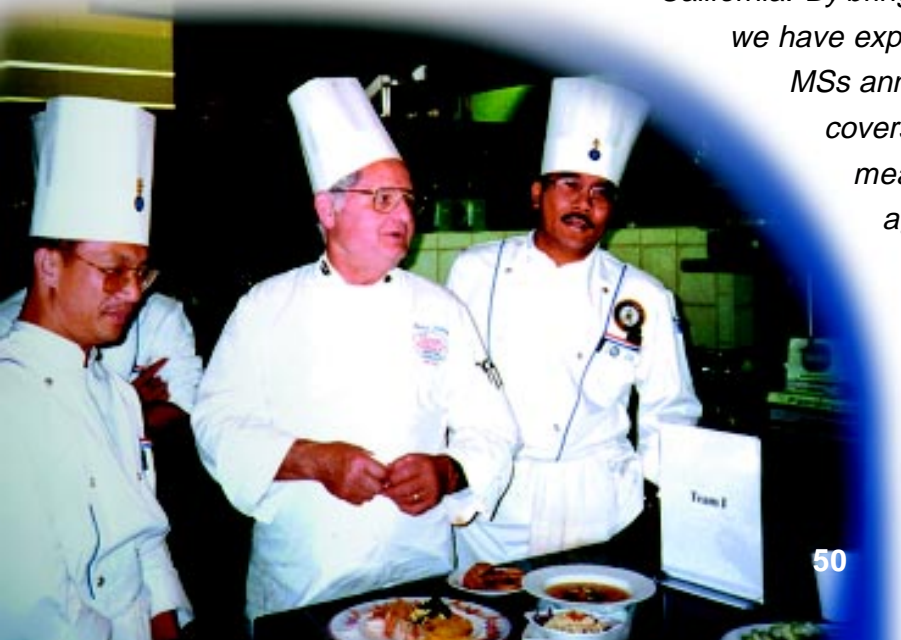
NAVSUP in consonance with the Fleet completely revised the Ney Awards Program in FY 99. The Ney Program was established to recognize the Navy's Best in Food Service Operations. This year's revision was the first major change since the program's inception in 1958. Afloat, the revised Ney Program is less intrusive aboard ship because it relies more on remote Type Commander surveillance as opposed to the traditional shipboard evaluations. Additionally, the evaluation criteria was revised placing greater emphasis on customer satisfaction, quality of service and, in general, the overall dining experience. Galleys ashore are now included in a Five Star Accreditation Program in which performance in ashore galleys is measured against standardized criteria. Evaluations in the program are conducted by representatives of NAVSUP and the International Food Service Executives' Association.

Culinary Training

One Touch...provides link to training information

In partnership with the Culinary Institute of America, NAVSUP implemented a program that brings executive chefs from the private sector to the waterfront to conduct culinary training for our Mess Management Specialists (MSs). In the past, each year we were able to send 150 of our MSs to Culinary Institute of America training facilities in Hyde Park, New York and Greystone,

California. By bringing Institute affiliated chefs to the waterfront, we have expanded this training opportunity to over 900 MSs annually. The 5-day waterfront training course covers topics such as knife handling, weights and measures, applications of stocks, thickening agents, and sauces, recipe factoring and modification, and various cooking skills from grilling to oven frying to braising. The executive chefs train the MSs in the shipboard galleys and provide customized training tailored to each ship.



Service Member Arranged Moves

One Touch...provides on-line counseling and preparation of required move documentation

During FY 99 the Service Member Arranged Move (SAM) Program was expanded to include any destination within CONUS. With SAM Sailors get to choose the carrier of their Household Goods (HHG). Additionally, they are provided with full value loss and damage protection and intransit visibility of their HHG shipments. Over 1,500 moves occurred with SAM, and it received a 98 percent Sailor approval rating. SAM's rate for loss and damage claims is 1 out of 14 as opposed to 1 out of 4 under the traditional move system.



The next step is inclusion of some of the key SAM features into the Military Traffic Management Command Reengineering Program in FY 00. This will make the SAM option available to all Services and allow overseas members to take advantage of the program benefits.

POV Storage and Shipments

One Touch...provides shipment status of POVs

Sailors are benefiting from two new entitlements with regards to their Privately Owned Vehicles (POVs). First, if the country of their next Permanent Duty Station does not allow the Sailor to bring a POV, they are now entitled to store it at the Government's expense. Second, if a POV is purchased at an overseas country, the Sailor can ship it home with the Government assuming the cost.

Express Shipments

One Touch...provides access into FEDEX

Sailors on PCS orders are now authorized shipment of their unaccompanied baggage using expedited shipments such as Federal Express, Roadway Express, time critical services, commercial air, etc. Transit times using express services are 3-7 days in CONUS and 10-14 days OCONUS. Without using this service it is 14-21 days in CONUS and 30-45 days OCONUS.

Personally Procured Move

One Touch...provides on-line counseling and preparation of move documentation

During FY 99, Sailors became entitled to receive cash advances for the cost of their move thereby minimizing their out of pocket expenses. In addition, if the cost of the move is less than the Government cost, the Sailor retains most of the difference.



ATMs Y2K Ready

During FY 99, NAVSUP completed a Fleet-wide upgrade of all existing afloat Automated Teller Machine systems for 144 ships. The new ATM III systems operate in a Windows NT open environment with user-friendly drop down menus and are IT-21 compliant. The upgrades ensured Sailors received uninterrupted service during the transition into year 2000. Our next step is the integration of an electronic cash purse into existing ATM systems to provide cashless shipboard retail sales. Proof of concept prototyping is planned aboard USS TRUMAN during FY 00.

Improving Uniform Quality

New Uniform Items

During FY 99 we released the new Enlisted Utility Uniform, the first uniform to be totally selected by our Sailors. Other new items include Chief Petty Officer Soft Shoulder Boards, and a modesty liner for the female Summer White Certified Navy Twill (CNT) slacks. The maternity uniform was upgraded to provide a better fit.



Reducing Afloat Food Service Costs

Reengineering Food Service

Single Ship Prototype

During FY 99 NAVSUP identified 13 initiatives designed to improve the Quality of Life for our Sailors while, at the same time, reducing workload. Initiatives such as the use of advanced foods, self-service food lines, centralized food preparation areas, and reduced stateroom cleaning will be tested on USS TARAWA during FY 00. Testing on a single ship allows evaluation of each initiative individually as well as the overall synergy between the initiatives.

The results of testing aboard USS TARAWA will drive new policies in food service design and operations, and should yield the most effective and efficient food service operations afloat.

Advanced Foods

Advanced Foods are precooked when received aboard ship thereby minimizing the manpower associated with “from scratch” food preparation and clean up. Crew acceptability of Advanced Foods remains high and Fleet usage continues to grow. During the fourth quarter of FY 99, Advanced Foods represented over 16 percent of all food consumed, up from 8 percent the previous quarter. By major ship class Advanced Food consumption for the CVs is 22 percent, AOE is 15 percent, and 15 percent for “L” decks. FY 00 plans include regularly scheduled Fleet messages that identify new Advanced Food items for insertion into Fleet menus.

Subsistence Prime Vendor

One Touch...provides food ordering through prime vendor

NAVSUP continued to implement Subsistence Prime Vendor (SPV) during FY 99. It is now installed at all CONUS and OCONUS afloat activities. SPV was also implemented ashore in Korea. NAVSUP plans to implement SPV in Southwest Asia (Bahrain, Jebel Ali, Fujarah Abu Dhabi, Sharjah Khorfakkan) during FY 00.

Implementation of Subsistence Total Order and Receipt Electronic System Network (STORES NT) is scheduled for completion in FY 00. STORES NT enhances the SPV Program by providing the capability to split orders between prime vendors and market ready vendors.

Using the SPV Program and STORES NT, food provisions are delivered directly to the ashore dining facility or ship in port thereby eliminating storage, waste, and redistribution costs.

Healthy Navy Menu

During FY 99 NAVSUP dieticians developed a Navy healthy menu to provide our Sailors with nutritious food options on a regular basis. The menu includes 79 recipes that conform to nutritional guidelines recommended by the U. S. Department of Agriculture, U. S. Department of Health and Human Services and the National Academy of Science Food and Nutrition Board. The menu is available on line and can be accessed via the NAVSUP web site. Future plans include identifying Advanced Foods that meet nutritional guidelines for inclusion in the menu to reduce workload aboard ship.



Nutritional Training

One Touch...provides link to training information

During FY 99 NAVSUP dietitians and health promotion personnel, supported by the Naval Environmental Health Center, developed a 2-day "Nutrition at the Mess Decks" course for MSs. The course covers basic nutrition, menu planning, recipe modification, and the relationship of good nutrition to health and readiness. This course was presented in Norfolk, New London, San Diego, Bremerton, Pearl Harbor, and Yokosuka with very positive Fleet response. In the future, the course will be offered biannually in Fleet concentrated areas.

Reducing Postal Costs

One Touch...
provides links to DAASINQ and CitiDirect

New Technology Installation

NAVSUP, in consonance with the United States Postal Service, completed installation of a new Unysis III Integrated Retail Terminal at the Navy Post Office in Yokosuka. The new system automates various financial reports and provides the customers with the option of using debit and credit cards for postage and money order purchases. The average customer transaction time was reduced from 8 minutes to 2-3 minutes. We plan to have all shore based and aircraft carriers post offices outfitted with this new system during FY 00.

The Money Order Voucher Entry System (MOVES) is a similar program designed to streamline processes at our smaller Post Offices. MOVES automates the process of preparing money order reports and provides for electronic delivery of the reports to the United States Postal Service. The implementation plans are currently in development.



Improved Postal Processes

During FY 99, the Computerized Remote Postage Resetting System (CMRS) was implemented at 73 activities. CMRS allows Navy official mail centers and shipboard activities using commercial meters to set postage by phone. The Centralized Automated Payment System (CAPS) was implemented at 40 activities. CAPS streamlines and automates the payment of various postal accounts.

Both systems provide for the use of electronic funds transfer for postal payments thereby eliminating paper work and issuing of hard copy checks.



Mail Directory Service

One Touch...provides links to NLL and DAASINQ

During FY 99, NAVSUP implemented a computerized postal directory for use in redirecting "undeliverable as addressed" mail. The program contains up-to-date Service Member address information and has the capability to print new address labels. It automates the previously labor intensive process of manually researching and addressing undeliverable mail. The program is available on CD-ROM or can be accessed on line through the Naval Logistics Library.

INFORMATION TECHNOLOGY



What is a Public Key Infrastructure (PKI)?



**One Touch...one of the first initiatives to
employ a PKI security program**

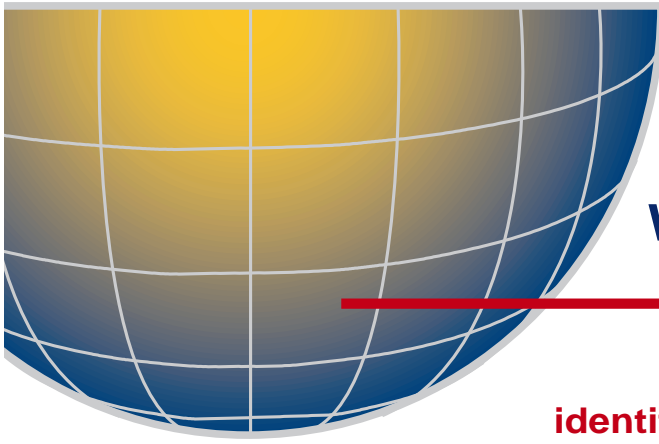
PKI is a system of digital certificates, Certificate Authorities (CA), and other registration authorities that verify and authenticate the validity of each party involved in an Internet transaction using key pairs called public and private keys.

A personal digital certificate serves two purposes: It makes your personal “public key” available to other people. Others can use this key to send you encrypted messages, messages that only you can read with your “private key.” Other people cannot read these encrypted messages. It “certifies” your identity when you send messages to others or interact with other applications. It proves you are who you say you are. To obtain a PKI certificate go to <http://pki.navy.mil>

Year 2000 Progress

NAVSUP devised a comprehensive and innovative strategy for the timely replacement of NAVSUP's “legacy” automated information systems with modern, flexible replacements. The combination of a unique executive resource planning selection and acquisition contract, coupled with a parallel plan for combining supply chain software with a modern integrated data environment, are designed to ensure systems modernization progress while minimizing risk. Thus, ensuring uninterrupted supply support to Naval operating forces.





World Wide Web Use

**One Touch...
identifies, locates, orders and
monitors status of parts and supplies**

NAVSUP established a modern, state-of-the-art web site that allows rapid, paperless, and secure ordering of vital supplies and services by customers throughout the world. This capability is a fundamental pillar of NAVSUP's "One-Touch Supply" strategic vision, and this has placed NAVSUP in the forefront among DOD organizations in exploiting the power of web-enabled solutions.

NAVSUP also established an additional electronic commerce web site that connects users to a wide range of global electronic commerce resources, including procurement solicitation details and an on-line forum for sharing information about Navy Electronic Business/Electronic Commerce. This advanced capability was highlighted in DON's Information Technology Strategic Plan.

Information Systems Standard Implementation

NAVSUP ensured its Automated Information Systems could correctly process calendar dates in the year 2000 and beyond. The suite of application programs developed and maintained by NAVSUP was made fully "Y2K compliant" some 18 months in advance of the "century change." Through these efforts NAVSUP became widely recognized as a leader in the Y2K progress, with its technical approach and overall management of the challenge drawing favorable notice from the General Accounting Office.

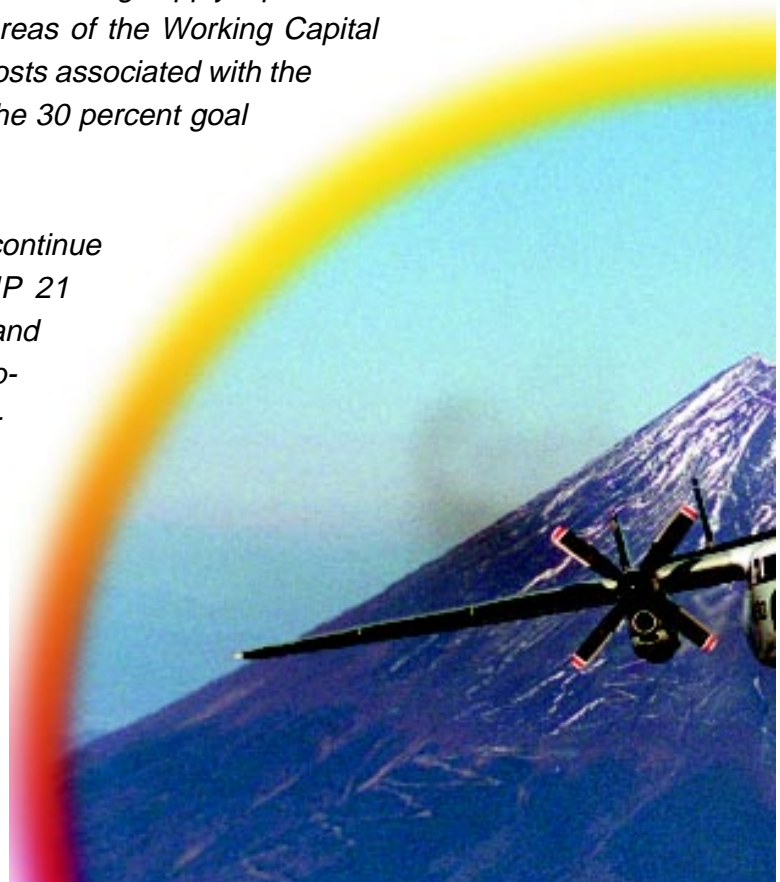
FINANCIAL SUMMARY

Navy Working Capital Fund Cost Recovery Rate

The FY 99 composite cost recovery rate was 44.3 percent, down from 57.5 percent in FY 98. The budgeted FY 00 composite cost recovery rate is 25.3 percent, well within our established goal of 30 percent. This continued downward trend is a result of our ongoing efforts in total cost management.

A high cost recovery rate can drive customers to perceive the supply system as inefficient and unaffordable, this can cause suboptimization. Recognizing this fact, significant effort was put forth to understand the cost drivers and ensure the cost recovery rate was recovering supply operations' costs not outside costs driven by deficiencies in other areas of the Working Capital Fund. This continued effort to ensure recovery of costs associated with the supply system would allow the rate to stay within the 30 percent goal over the long term.

In addition to our ongoing total cost initiatives, we continue to work to identify opportunities under the SUP 21 reengineering umbrella. Initiatives like value pricing and variable pricing are being looked at as potential opportunities in pricing for the future. The primary objective of pricing is to recover costs and maintain solvency within the Navy Working Capital Fund, but pricing also must have the flexibility to change with the ever-changing environment.





Cash Management

Cash management remains our top priority. Similar to FY 98, we experienced significant improvement in cash forecasting in FY 99. NAVSUP's actual FY 99 year-end cash position was negative \$2.8M. Our overall deviation was \$75.3M from the President's budget projection of negative \$78.1M.

The more enhanced cash model implemented in FY 99 proved accurate. Our approach to breaking out the wholesale budget projects from an aggregate projection to various contract types each using a specific financial lead time to compute disbursements proved very effective. Wholesale disbursements for FY 99 were within 2 percent of the plan.

Also critical to continued progress was the establishment of a Cash Management Team with representatives from across functional areas at NAVSUP. The team continues to identify both internal and external business process changes that need to be incorporated into our cash projections.

The significant changes to the cash model and close coordination with the field activities ensure continued improvements and success in the area of cash management.

Personnel Reductions

Operational funding has continued to decline, forcing a 4 percent mandated Navy-wide reduction in civilian personnel.

NAVSUP is at the forefront of Navy's efforts to attack the infrastructure, forging FISC partnerships with regional naval activities to more effectively and efficiently perform supply functions in their respective geographic areas. The personnel savings accruing from these partnerships are being realized by Navy as a whole.

From FY 87 to FY 99, NAVSUP's civilian personnel end strength was reduced from 27,361 to 8,977 positions, a 67 percent reduction. We currently have budgeted reductions totaling an additional 3,767 positions (42 percent) through FY 05, for an overall decrease of 81 percent from the FY 87 baseline. This reduction in personnel resources is the result of organizational realignments, Base Realignment and Closure decisions, workforce efficiencies, and strategic sourcing efforts.

Business Indicators (NWCF - Supply Management)

	Dollars in Millions				
	FY 97*	FY 98*	FY 99*	FY 00**	FY 01**
Wholesale Material					
Gross Sales	\$3,225.7	\$3,601.4	\$3,592.5	\$3,128.7	\$3,196.4
Obligations	1,957.0	2,369.4	2,208.8	2,522.0	2,403.3
Retail Material					
Gross Sales	2,014.2	1,970.0	1,800.3	1,586.0	2113.5
Obligations	2,012.9	2,044.1	1,753.4	1,534.2	2,099.3
Net Operating Result	-209.5	26.3	-67.1	-159.2	-49.3

* Actual Obligations

** Approved President's Budget Projections

Personnel

	FY 97	FY 98	FY 99	FY 00	FY 01
Civilian	11,421	10,744	8,997	8,971	8,133
Military	920	839	908	941	936
TOTAL	12,341	11,583	9,905	9,912	9,069

*FY 97 - FY 99 Reflect Actuals
FY 00 - FY 01 Reflect Budget*

Financial Update : Resources

Dollars in Millions

	FY 97	FY 98	FY 99	FY 00	FY 01
O & M, N	\$391.8	\$373.0	\$344.5	\$369.2	\$391.8
BRAC	11.8	16.2	3.8	0.0	0.0
NWCF Material	3,969.9	4,413.5	3,916.4	4,039.1	4,185.6
NWCF Operations	1,130.1	1,272.5	1,154.3	1,143.5	1,136.0
NWCF Capital Purchases	27.8	42.2	35.4	40.6	53.2
Central Design Agencies	82.7	87.9	84.9	81.0	79.6
Procurement/Investment Accounts	75.1	62.2	94.8	141.8	175.2
Subsistence in Kind	282.4	264.8	261.1	279.9	294.4
TOTAL	\$5,971.6	\$6,532.3	\$5,895.2	\$6,095.1	\$6,315.8
SUBTOTAL Proc/Inv Accounts		\$62.2	\$94.8	\$160.1	\$163.6
OPN		59.5	89.4	140.0	161.8
WPN		2.2	2.0	1.7	1.8
R&D		0.5	3.4	18.4	0

Reflect FY 01 OSD Submit

CLAIMANCY AWARDS

Hammer Awards ...

were presented to FISC Pearl Harbor's Systems Planning Division for development and implementation of the Regional One Touch Customer Information Center Web application; FISC Jacksonville for their partnering/regionalization accomplishments; and NAVTRANS' Personal Property Audit Division for their dramatic improvements in Quality of Life.

The DOD Standardization Program Award ...

was given to NAVSUP's Alternative Logistics Support Office for facilitating a logistics support process for the new V-22 Osprey Engine.

The Bronze Medal ...

was awarded to NAVSUP's Streamlined Automated Logistics Transmission System Project Team for their technical accomplishment.

The Admiral Stan Arthur Award ...

for Logistics Excellence was given to NAVICP's Mine Hunting Sonar Set Team for their superior efforts on the AN/SQQ-32(V).

The Outstanding Team of the Year Award ...

was presented to NAVSUP's Service Member Arranged Move Team by the Federal Executive Association of Central Pennsylvania for developing and implementing a high visibility Quality of Life initiative in an exceptionally short period of time.

The Defense Acquisition Executive Certificate of Achievement Award ...

was presented to FOSSAC's Price Fighters Department for their efforts to streamline and redefine their role in acquisition support which significantly reduced procurement costs and lead times.

